

Terry E. Branstad  
Governor

Kim Reynolds  
Lt. Governor



Terry Rich  
Chief Executive Officer

## **Iowa Lottery Report On Operations**

**To: Members of the House Government Oversight Committee and Senate Government Oversight Committee**

**From: Terry Rich, CEO**

**Date: June 2014**

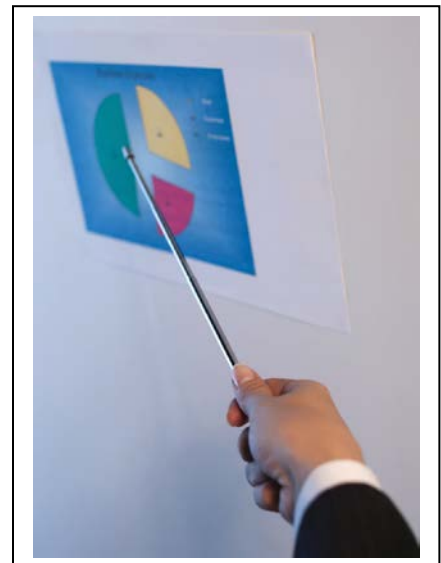
The latest details leading into the final month of fiscal year 2014 indicate that the Iowa Lottery will have strong results for the year, but the brutal winter definitely had an impact on the sale of many consumer products, including lottery tickets.

**We anticipate that total annual Iowa Lottery sales, proceeds to state causes, and prizes to players will rank in the Top 3 for the lottery in its 29-year history. We will again far exceed our baseline goal of providing at least \$60 million in annual proceeds to state causes, with the lottery in a healthy long-term position.**

Lottery sales in FY 2014 will top the \$300 million mark for the third year in a row but will be down slightly from the record results seen in FY 2013. Two big factors came into play in the lottery's results for this year:

- 1.) Mother Nature. Repeated blizzards and frigid temperatures often made it impossible for folks to get out and about this winter in Iowa, and when people aren't in their normal routines, they often don't make their usual purchases, including lottery tickets. The winter weather definitely impacted the lottery sales.
- 2.) Cyclical Powerball jackpots. The lottery's FY 2013 results were buoyed by strong Powerball sales, with the game's jackpot topping the \$300 million mark on four different occasions during the year. FY 2014 saw the Powerball jackpot top that mark only three times, which impacted the popular product's overall sales in Iowa. As we have emphasized before, we know that big jackpot runs are unpredictable, and we therefore believe it is important that the lottery continue to budget for results that reliably can be achieved.

Statistically, we know that our results will fluctuate from year to year, but we anticipate that lottery games will continue to be a consistent, key source of proceeds for vital state causes here in Iowa.



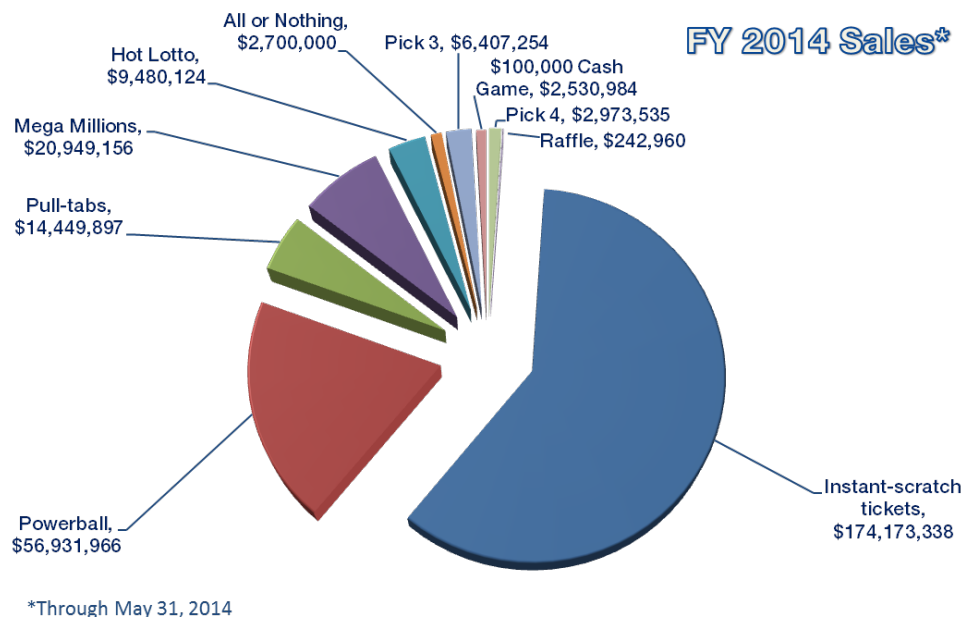
As always, we are closely tracking lottery results and will keep your committees apprised of significant developments. We also provide regular updates about sales and proceeds through the state's I-3 accounting system for review. The lottery's latest financial performance figures are included in this report as **Attachment A**.

In addition, here is a year-to-year comparison of lottery sales (July-May):

	<b><u>FY 2014</u></b>	<b><u>FY 2013</u></b>
Instant-scratch games	\$174.2 million	\$186.6 million
Pick 3	\$6.4 million	\$6.3 million
Powerball	\$56.9 million	\$77.1 million
Mega Millions	\$20.9 million	\$12.4 million
Hot Lotto	\$9.5 million	\$10.3 million
Pick 4	\$3 million	\$2.8 million
Iowa's \$100,000 Cash Game	\$2.5 million	\$4.1 million
All or Nothing*	\$2.7 million	\$0
Pull-tab games	\$14.5 million	\$15 million
Raffle game**	\$0.2 million	\$0

\*The All or Nothing lotto game replaced Iowa's \$100,000 Cash Game. It began sales in January 2014.

\*\*The lottery offers raffle games only occasionally, so there will be years when it does not sell such a product.



## **FY 2015 Budget Update**

In the lottery's December report to your committees, we noted that during its Sept. 24 meeting, the Iowa Lottery Board had approved the lottery's FY 2015 budget in accordance with current state budgeting guidelines. As we stated at that time, the lottery remains optimistic that our publicly stated goal of providing at least \$60 million in annual proceeds to state causes will remain attainable in the coming

years. (This goal is based on the highest core-product proceeds amount raised during the lottery's first 25 years.)

Then during its June 30 meeting, the Lottery Board approved amendments to the lottery's FY 2015 budget, as is its routine process. Here are highlights of those amendments:

- an increase in total payroll to reflect the state salary adjustments approved during the 2014 legislative session;
- the addition of an anticipated \$1.6 million in gross proceeds from the sale of the lottery's current headquarters building at 2323 Grand Ave. in Des Moines;
- increased maintenance and utility costs during the lottery's transition to its new headquarters location in Clive, as the lottery will own both its current location in Des Moines and its Clive location for a portion of the year;
- the addition of an anticipated \$8 million in sales from a new multi-state lotto game called Monopoly Millionaires Club™, which will debut in October;
- an anticipated \$8 million increase in total scratch-ticket sales;
- an anticipated \$2 million decrease in total pull-tab ticket sales.

Copies of the lottery's Overall Budget and Operating Expenses for FY 2015 are included with this report as **Attachments B** and **Attachment C**. And as always, the lottery's budget details are available through the state's I-3 accounting system.



Mike Klappholz



Herman Richter



Deb Burnight



Matt McDermott



Ying Sa



Michael Fitzgerald

The members of the Lottery Board are: Chairperson Mike Klappholz of Cedar Rapids, retired police chief of that city; Vice Chair Herman Richter, president of The Three Sons clothing store in Milford and a co-founder of the popular and mythical University of Okoboji; Deb Burnight, a certified professional facilitator and trainer from Sioux City; Matt McDermott of West Des Moines, an attorney at a Des Moines law firm; Ying Sa, the founder and principal certified public accountant at a CPA firm in Des Moines, where she also resides; and State Treasurer Michael Fitzgerald, who serves on the board as a nonvoting member.

### **Lottery Headquarters Location Moving To Clive Later This Year**

In the lottery's last two written reports to your committees and during our appearance before you in January, we provided updates about analysis of maintenance issues at the lottery's current headquarters building in Des Moines and the possibility that the lottery would need to seek a different HQ location. Then in February, we provided legal notification to your committees that



the lottery would be purchasing a different headquarters location in Clive.

During its Jan. 29 meeting, the Lottery Board approved the lottery's purchase of the property at 13001 University Ave. in Clive for \$5.35 million, and the Executive Council of Iowa also approved the purchase on Feb. 3.

We anticipate that lottery headquarters will move to the Clive location later this year, after some preparation work at the site is completed.



Meantime, on June 3, the Des Moines School Board approved the school district's purchase of the lottery's current headquarters property at 2323 Grand Ave. for \$1.6 million. A closing date for that transaction should be determined soon.

From the school district's description of its plan, it will be able to accomplish what the lottery can't as the business currently operating at the site: The school district will be able to buy the property and do the major repairs necessary to the building's mechanical systems while it is empty, then move in once the work is done. That was one of the major complications that the lottery faced with the location.

The lottery is selling the Des Moines property "as is" and we have been very up front that there are some repairs that need to be made to the building. Net proceeds from the sale of the building will ultimately go the lottery's bottom line in terms of its results to the state.

The lottery had been reviewing its headquarters situation since late 2012, when its internal long-range planning led to the discovery of some maintenance issues at its Des Moines headquarters building. Since that time, the lottery's concern has been to minimize the risk of a disruption in its operations that could be caused by the headquarters maintenance issues. Iowa Code Chapter 99G.21 gives the lottery the ability to acquire real and personal property by lease or purchase and to incur debt in its own name, however, any purchase of real property and any borrowing of more than \$1 million requires prior approval of the Executive Council of Iowa and notification to your committees.

The lottery is self-funded and the Lottery Board approved a total of \$7 million in the lottery's budgets for fiscal years 2014 and 2015 for a possible headquarters project (\$3.5 million in each year). The lottery closed on the Clive property on April 18, paying \$3 million of the purchase price in the current fiscal year. The lottery financed the remaining \$2.35 million of the purchase price along with interest on that amount at the time of closing. It then will pay the financed amount and any accrued interest within six months of the closing.

The lottery consulted with a number of building and maintenance specialists in its property review and ultimately worked with the state of Iowa's property experts – the General Services Enterprise Real Estate Team within the Iowa Department of Administrative Services – to ensure an open and thorough process.

The DAS-GSE Real Estate Team evaluated the options of renovating the lottery's existing headquarters location in Des Moines; purchasing land and constructing a new building; and moving to an available existing property. The option identified as providing the lowest operational risk for the lottery and the best financial option for the state was for the lottery to move to a different existing building within the Des Moines metropolitan area.



The purchase of the Clive property had a lower effective occupancy cost (defined as the price for the lottery to operate at the particular site over a 10-year period, minus any property value at the end of that time) than the other two options.

The DAS Real Estate Team handled all public input, notification and negotiations for the lottery project. DAS identified more than 20 potential properties and toured several of them before ultimately making an offer on the commercial property at 13001 University Ave. in Clive. The location had once been listed at \$7.9 million, but after aggressive negotiations, the lottery agreed to a purchase price of \$5.35 million as described above.

The Class A office building was unoccupied at the time of the lottery's offer and in the possession of several different banks.

### **New Lotto Game Debuting This Fall**

The Iowa Lottery and several other U.S. lotteries will begin selling a new premium lotto game this fall. The \$5 game, called Monopoly Millionaires' Club™, is expected to make its debut in October. It will feature a traditional lotto drawing once a week, but also have extra features with even more ways to win, including the chance for players to be contestants on a nationally televised game show. The game gives a nod to the popularity of smartphone apps and the many free games available through social media that offer extra plug-ins and add-ons giving users multiple ways to play and win. Such games may sound complicated at first glance, but players love their versatility and generous playing time.



The lottery industry has been looking at possibilities for a new premium lotto game for several years. Powerball and Mega Millions are synonymous with big jackpots, so the goal has been to find a new game that could differentiate itself from them. After extensive reviews, the industry has endorsed a different kind of lottery game with the twist of a nationally-televised game show tied directly to sales of the game.

More details will be available in the months to come as plans for the new game are finalized.

### **Lottery Support For Other State Programs**

One of the ways that the lottery pursues its mission of benefitting state causes is by lending its support to other important initiatives in Iowa. Through its games and promotions, the lottery has helped spread the word this year about the Iowa Veterans Trust Fund, Iowa Tourism, and the Iowa State Fair.

#### **Veterans Victory**



A northwest Iowa teacher won a one-of-a-kind motorcycle custom painted by a well-known Iowa artist in the Iowa Lottery's latest initiative dedicated to veterans' causes.

Tracy Schultz of Peterson took possession of the motorcycle in April and said that she and her husband,

Randy, were looking forward to warmer weather so they could have a chance to ride it.

"I think it's going to be something we have in the garage and just get out every once in a while," Tracy Schultz said.

The custom-painted Victory Boardwalk™ motorcycle from Victory® Motorcycles in Spirit Lake was offered as the prize up for grabs in the Iowa Lottery's "Veterans Victory" promotion this winter. The lottery, which has raised more than \$15 million for veterans' causes since 2008, teamed up with artist Ray "Bubba" Sorensen II on the motorcycle project. It was the first time that Sorensen, the artist best known for his annual artwork on the huge "The Freedom Rock®" boulder near Greenfield in western Iowa, had painted a motorcycle.

Players entered the promotion using nonwinning tickets in the \$1 "Ride to Riches" instant-scratch game. All proceeds from the sale of Ride to Riches tickets benefit the Iowa Veterans Trust Fund. The entry period for the promotion on the lottery's website ran from Jan. 6 through March 26, and the lottery conducted the drawing for the motorcycle on March 27.

Tracy Schultz, 49, who teaches business classes and is athletic director at St. Mary's Catholic Schools in Storm Lake, said news of her win spread quickly through social media and word of mouth. "I walked into the bank to sign some papers and got harassed – well, really congratulated more than harassed," she said.

Lottery players made nearly 97,000 entries in the Veterans Victory promotion. The motorcycle package was valued at a more than \$31,000.

### **Mike's Picks**

The Iowa Lottery teamed up this spring with the Iowa man who's made a name for himself as an expert collectibles picker and Iowa Tourism for a new game and promotion designed to highlight the things to see and do in our state.

State and local officials joined Mike Wolfe in April at his Antique Archaeology® store in the historic Mississippi River community of LeClaire to announce the "Mike's Picks" instant-scratch game with cash prizes of up to \$50,000 and a promotion by the same name offering trip packages and Iowa products as prizes.

The \$5 Mike's Picks scratch game began sales April 3.

Tickets in the game feature the television personality's image and the rooster-emblazoned logo from his Antique Archaeology stores in Nashville, Tenn., and LeClaire. Lottery players try to win a prize by matching any of "Your Numbers" to any "Mike's Winning Picks" numbers in the play area on each ticket. Those who find a rooster symbol win double the prize shown.

Those who didn't win a cash prize could enter their nonwinning tickets from the game into the Mike's Picks promotion for a chance to win a trip to Nashville or LeClaire and products from Iowa companies. The entry period ran from April 4 through June 30, and the promotion's drawings are set for July 1.

On the promotion page at [www.ialottery.com](http://www.ialottery.com), players were asked to enter the 10-digit entry number from the front of a nonwinning Mike's Picks ticket along with the ticket number from the back. They then



had to answer a “Mike’s Weekly Iowa Pick” question about some of Wolfe’s favorite companies in the state. Players’ answers entered them into a drawing for prizes at three different levels:

- One grand-prize trip to Nashville, where the winner and three guests can tour the Antique Archaeology store and the Grand Ole Opry®. The five-day, four-night trip for four is valued at about \$10,000 and includes airfare and car rental allowance, a gift card for two rooms at the Union Station Hotel, spending cash and a tote bag of Iowa products.
- Six first prizes of trips to LeClaire where the winner and three guests can tour the Antique Archaeology store and go on a riverboat tour. Each three-day, two-night trip for four is valued at about \$1,800 and includes a gift card for two rooms at the Comfort Inn®, spending cash and a tote bag of Iowa products.
- Twelve second prizes of an assortment of 12 products from Iowa companies that Mike picked as some of his favorites. Each tote bag of products is valued at about \$500.

Lottery players had made nearly 54,000 entries into the Mike’s Picks promotion through late June.

### **Iowa State Fair**



The Iowa Lottery is supporting one of Iowa’s biggest celebrations by being the opening-day sponsor of the 2014 Iowa State Fair.

The 2014 Iowa State Fair is set for Aug. 7-17 in Des Moines, and the lottery will have a busy morning as the opening-day sponsor. The Fair will offer discounted admission from 5 a.m. to noon on opening day to those who have a coupon from the Aug. 3 edition of the Des Moines Sunday Register, and lottery staff will be at four of the Fair’s main admission gates (Gates 4, 8, 11 and 15) from 5-9 a.m. that morning to hand out coupons for free plays in the All or

Nothing™ lotto game. (Coupons will be given to fair-goers at least 21 years old, one coupon per person, while supplies last.) Lottery signs will mark the gates where coupons will be given away, so fair-goers should look for the signs to ensure they are entering a gate where they can receive a coupon for a free play.

The lottery also will hold contests that morning at the Fairgrounds’ Expo Hill to give away 10 prizes of \$100 cash and prize packages to the Lady Antebellum concert on Aug. 16 at the State Fair Grandstand.

In the weeks leading up to the Fair, the lottery will hold contests on radio stations across the state to also give away Lady Antebellum concert prize packages. Each prize pack will include two concert tickets to the Grandstand show, two admission tickets to the Fair, a parking pass, \$30 in Fair food tickets, and a lottery swag bag! A list of participating radio stations is available on the promotions page of the lottery website at [www.ialottery.com](http://www.ialottery.com).

### **Internet Gambling Discussions In D.C.**

Internet gaming remains an ongoing topic of discussion in Congress, with three groups representing state lawmakers all recently contacting Congressional leadership to urge states’ rights on the issue.

We continue to monitor developments on the federal level to analyze their potential impact on Iowa.



In May, leaders of the Economic Development and Commerce Committee of the National Governor's Association (NGA) sent a letter to U.S. Senate and House leadership, expressing their concern about legislation introduced in Congress that would ban online Internet gaming and Internet lottery sales. The governors urged the Congressional leaders to include state input in any decisions at the federal level that could affect state regulatory authority concerning gaming.

And in April, the National Council of Legislators from Gaming States (NCLGS) and the National Conference of State Legislators (NCSL) also sent letters to Congressional leadership, urging Congress to respect the sovereignty of states in deciding if they want to participate in online gaming. The letters pointed out that laws concerning gaming vary widely depending upon the opinions and wishes of residents in individual states, with some states such as Iowa having a variety of gaming options and others forbidding gaming. The groups emphasized that each state should be able to make decisions concerning gaming regulation that are best suited to the desires of its residents.

The NGA, NCLGS and NCSL letters are included for reference in this report as **Attachment D**.

Two bills have been introduced during the current Congressional session that would establish federal regulation of Internet gaming, and another proposal has been introduced that would federally prohibit all forms of Internet gambling. There has been little movement thus far on any of the proposals.

The Iowa Lottery has the authority to conduct Internet gaming and continues to study the issue, remaining cognizant of the fact that there would be a negative impact on proceeds to state causes if it does not adapt to player expectations for convenience and use of technology.



IOWA LOTTERY  
PERFORMANCE MEASURES  
FY 2014

ATTACHMENT A

Month		JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY		JUN
Gross Sales	Budget '14	21,480,287	23,387,161	21,894,427	22,749,084	25,139,749	24,001,852	24,352,692	25,533,435	29,111,897	25,298,981	27,014,412		23,036,023
	5-year av.	20,836,440	22,686,157	21,238,166	22,067,206	24,386,214	23,282,424	23,622,747	24,768,100	28,239,301	24,540,673	26,204,685		22,345,545
	Actual '14	26,045,310	27,668,618	26,044,760	24,595,516	24,637,797	29,248,436	24,695,558	28,545,036	27,427,790	26,123,641	25,834,341		-
Prize Expense	Budget '14	12,600,256	13,718,820	12,843,188	13,344,527	14,746,882	14,079,396	14,285,197	14,977,817	17,076,929	14,840,287	15,846,552	58.66% 1)	13,512,846
	5-year av.	12,342,598	12,972,723	12,388,357	12,786,810	13,663,667	14,175,858	14,229,622	15,011,692	16,099,572	14,422,795	15,136,777	57.76% 2)	12,986,412
	Actual '14	15,942,444	15,944,936	15,424,112	14,558,510	14,087,386	17,158,018	16,390,859	16,222,739	17,067,044	14,858,702	14,972,606	57.96% 3)	-
Operating Expenses	Budget '14	580,184	1,046,345	1,046,345	1,489,947	924,193	1,046,345	1,046,345	1,046,345	1,046,345	1,489,947	924,193		1,816,860
	5-year av.	551,107	795,468	903,895	942,875	980,401	929,762	836,710	892,337	872,587	947,155	1,028,017		1,661,642
	Actual '14	510,053	946,787	1,032,424	1,338,916	811,525	947,361	962,016	1,048,846	866,778	1,324,616	855,107		-
Proceeds to General Fund	Budget '14	4,771,655	4,780,594	4,408,678	4,178,015	5,339,406	4,933,745	5,021,157	5,315,341	6,206,919	4,813,324	5,806,480		3,922,593
	5-year av.	4,870,293	5,458,740	4,796,504	5,415,740	6,703,588	4,845,621	5,409,546	5,431,812	7,325,740	6,017,791	6,500,545		4,561,737
	Actual '14	5,818,399	6,789,813	6,463,986	6,149,653	6,563,816	7,431,424	3,907,599	7,715,155	4,660,336	5,462,299	6,987,583		-
Proceeds to Veterans Trust	Budget '14	133,453	482,971	301,434	166,950	140,083	142,482	227,620	354,551	368,677	206,227	154,877		120,675
	5-year av.	127,700	462,152	288,440	159,754	134,044	136,340	217,808	339,267	352,785	197,338	148,201		115,474
	Actual '14	163,182	422,439	83,623	47,564	61,355	70,877	227,566	435,807	83,663	86,008	65,459		-
Total Proceeds	Budget '14	4,905,108	5,263,565	4,710,112	4,344,965	5,479,489	5,076,227	5,248,777	5,669,892	6,575,596	5,019,551	5,961,357		4,043,268
	5-year av.	4,997,993	5,920,892	5,084,944	5,575,494	6,837,632	4,981,961	5,627,354	5,771,079	7,678,525	6,215,129	6,648,746		4,677,211
	Actual '14	5,981,581	7,212,252	6,547,609	6,197,217	6,625,171	7,502,301	4,135,165	8,150,962	4,743,999	5,548,307	7,053,042		-
YEAR TO DATE														
Gross Sales	Budget '14	21,480,287	44,867,448	66,761,875	89,510,959	114,650,708	138,652,560	163,005,252	188,538,687	217,650,584	242,949,565	269,963,977		293,000,000
	5-year av.	20,836,440	43,522,597	64,760,763	86,827,969	111,214,183	134,496,607	158,119,354	182,887,454	211,126,755	235,667,428	261,872,113	11.07% 4)	284,217,658
	Actual '14	26,045,310	53,713,928	79,758,688	104,354,204	128,992,001	158,240,437	182,935,995	211,481,031	238,908,821	265,032,462	290,866,803	7.74% 5)	
Prize Expense	Budget '14	12,600,256	26,319,076	39,162,264	52,506,791	67,253,673	81,333,069	95,618,266	110,596,083	127,673,012	142,513,299	158,359,851	58.66% 1)	171,872,697
	5-year av.	12,342,598	25,315,321	37,703,678	50,490,488	64,154,155	78,330,013	92,559,635	107,571,327	123,670,899	138,093,694	153,230,471	58.51% 2)	166,216,883
	Actual '14	15,942,444	31,887,380	47,311,492	61,870,002	75,957,388	93,115,406	109,506,265	125,729,004	142,796,048	157,654,750	172,627,356	59.35% 3)	
Operating Expenses	Budget '14	580,184	1,626,529	2,672,874	4,162,821	5,087,014	6,133,359	7,179,704	8,226,049	9,272,394	10,762,341	11,686,534		13,503,394
	5-year av.	551,107	1,346,575	2,250,470	3,193,345	4,173,746	5,103,508	5,940,218	6,832,555	7,705,142	8,652,297	9,680,314		11,238,670
	Actual '14	510,053	1,456,840	2,489,264	3,828,180	4,639,705	5,587,066	6,549,082	7,597,928	8,464,706	9,789,322	10,644,429		
Proceeds to General Fund	Budget '14	4,771,655	9,552,249	13,960,927	18,138,942	23,478,348	28,412,093	33,433,250	38,748,591	44,955,510	49,768,834	55,575,314		59,497,907
	5-year av.	4,870,293	10,329,033	15,125,537	20,541,277	27,244,865	32,090,486	37,500,032	42,931,844	50,257,584	56,275,375	62,775,920		67,352,481
	Actual '14	5,818,399	12,608,212	19,072,198	25,221,851	31,785,667	39,217,091	43,124,690	50,839,845	55,500,181	60,962,480	67,950,063		
Proceeds to Veterans Trust	Budget '14	133,453	616,424	917,858	1,084,808	1,224,891	1,367,373	1,594,993	1,949,544	2,318,221	2,524,448	2,679,325		2,800,000
	5-year av.	127,700	589,852	878,292	1,038,046	1,172,090	1,308,430	1,526,238	1,865,505	2,218,290	2,415,628	2,563,829		2,679,303
	Actual '14	163,182	585,621	669,244	716,808	778,163	849,040	1,076,606	1,512,413	1,596,076	1,682,084	1,747,543		
Total Proceeds	Budget '14	4,905,108	10,168,673	14,878,785	19,223,750	24,703,239	29,779,466	35,028,243	40,698,135	47,273,731	52,293,282	58,254,639		62,297,907
	5-year av.	4,997,993	10,918,885	16,003,829	21,579,323	28,416,955	33,398,916	39,026,270	44,797,349	52,475,874	58,691,003	65,339,749	6.67% 4)	70,031,784
	Actual '14	5,981,581	13,193,833	19,741,442	25,938,659	32,563,830	40,066,131	44,201,296	52,352,258	57,096,257	62,644,564	69,697,606	19.64% 5)	

1) Budget FY14 Prize Payout

2) Actual 5-year average Prize Payout

3) Actual FY14 Prize Payout

4) Actual FY14 compared to Actual 5-year average

5) Actual FY14 compared to Budget FY14

## Budget for Lottery Fund

	FY 2013 ACTUAL	FY 2014 BOARD APPROVED FINAL BUDGET	FY 2015 BOARD APPROVED PRELIMINARY BUDGET	FY 2015 BOARD APPROVED FINAL BUDGET
<b>Resources</b>				
Lottery sales	339,251,420	293,000,000	295,505,000	309,500,000
Interest income	110,073	500,000	500,000	500,000
Application fees	5,125	5,000	5,000	5,000
Other	11,706	5,000	5,000	5,000
<b>Total Resources</b>	<b>339,378,324</b>	<b>293,510,000</b>	<b>296,015,000</b>	<b>310,010,000</b>
<b>Expenses and Change in Net Assets</b>				
Prizes	200,801,768	171,872,697	173,321,198	181,346,675
Retailer compensation	22,116,797	18,969,721	19,264,839	20,037,982
Advertising production and media purchases	6,600,550	11,720,000	11,820,200	12,380,000
Retailer Lottery system/Terminal Communications	7,180,866	6,827,940	6,885,655	7,248,100
Instant/Pull-tab ticket expense & machine maintenance	4,605,036	4,085,000	4,345,000	4,295,000
Terminal equipment/Ticket dispensers/Vending machines	202,330	250,000	250,000	250,000
Courier delivery of instant tickets	105,353	535,000	535,000	610,000
Interest expense (ITVM/PTVM/Building)	33,453	-	-	-
Lottery operating expense	11,753,223	13,503,394	13,380,054	13,478,358
Building (purchase and sale)		3,500,000	3,500,000	1,964,000
Increase (decrease) in net assets	1,088,219	(51,659)	(51,659)	(308,030)
<b>Total Expenses and Change in Net Assets</b>	<b>254,487,595</b>	<b>231,212,093</b>	<b>233,250,287</b>	<b>241,302,085</b>
<b>Proceeds</b>				
Proceeds Transfer to General Fund	82,764,005	59,497,907	60,564,713	66,507,915
Proceeds Transfer to Veterans Trust Fund	2,126,724	2,800,000	2,200,000	2,200,000
<b>Total Proceeds Transfers</b>	<b>84,890,729</b>	<b>62,297,907</b>	<b>62,764,713</b>	<b>68,707,915</b>
<b>Total Expenses and Proceeds</b>	<b>339,378,324</b>	<b>293,510,000</b>	<b>296,015,000</b>	<b>310,010,000</b>

## Lottery Operations - Budget Detail

	FY 2013 ACTUAL	FY 2014 BOARD APPROVED FINAL BUDGET	FY 2015 BOARD APPROVED PRELIMINARY BUDGET	FY 2015 BOARD APPROVED FINAL BUDGET
Administrative payroll*	9,375,334	10,027,895	10,027,895	10,145,328
Travel	416,086	495,000	495,000	495,000
Supplies	93,045	125,000	125,000	125,000
Printing	13,459	16,000	16,000	16,000
Postage	6,337	6,500	6,500	6,500
Communications	155,755	160,000	160,000	160,000
Rentals	304,452	328,000	333,000	310,000
Utilities	103,386	105,000	105,000	128,000
Professional fees	121,004	495,000	530,000	260,000
Outside services and repair	160,870	427,840	400,000	449,500
Data processing	57,072	55,000	60,000	60,000
Equipment	177,812	430,500	270,000	300,000
Reimbursement to state agencies	415,056	475,000	495,000	495,000
Depreciation	245,805	251,659	251,659	423,030
Other expenses	107,750	105,000	105,000	105,000
<b>Total operating expenses</b>	<b>\$ 11,753,223</b>	<b>\$ 13,503,394</b>	<b>\$ 13,380,054</b>	<b>\$ 13,478,358</b>

\* 2015 Proposed Final Budget for "Administrative Payroll" includes salary and benefit cost increases per DOM projections



Mary Fallin  
Governor of Oklahoma  
Chair

John Hickenlooper  
Governor of Colorado  
Vice Chair

Dan Crippen  
Executive Director

May 9, 2014

The Honorable Harry Reid  
Majority Leader  
U.S. Senate  
Washington, D.C. 20510

The Honorable John Boehner  
Speaker of the House  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Mitch McConnell  
Minority Leader  
U.S. Senate  
Washington, D.C. 20510

The Honorable Nancy Pelosi  
Minority Leader  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Majority Leader Reid, Senator McConnell, Speaker Boehner, and Representative Pelosi:

The nation's governors are concerned with legislation introduced in Congress that would ban online Internet gaming and Internet lottery sales because it challenges the federal-state relationship.

The regulation of gaming is an issue that has historically been addressed by the states. Regardless of whether governors are in favor of offering gaming—through whatever form—within their own states, decisions at the federal level that affect state regulatory authority should not be made unilaterally without state input. A strong, cooperative relationship between the states and federal government is vital to best serve the interests of all citizens.

Sincerely,

A handwritten signature in black ink that reads "Robert Bentley".

Governor Robert Bentley  
Chair, Economic Development and Commerce  
Committee

A handwritten signature in black ink that reads "Earl Ray Tomblin".

Governor Earl Ray Tomblin  
Vice Chair, Economic Development and  
Commerce Committee





# NATIONAL CONFERENCE of STATE LEGISLATURES

*The Forum for America's Ideas*

April 3, 2014

The Honorable Harry Reid  
Majority Leader  
U.S. Senate  
Washington, D.C. 20510

The Honorable Mitch McConnell  
Minority Leader  
U.S. Senate  
Washington, D.C. 20510

The Honorable John Boehner  
Speaker of the House  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Nancy Pelosi  
Minority Leader  
U.S. House of Representatives  
Washington, D.C. 20515

**Bruce W. Starr**  
*Senator  
Oregon  
President, NCSL*

**Thomas W. Wright**  
*Chief of Staff to Speaker  
Alaska  
Staff Chair, NCSL*

**William T. Pound**  
*Executive Director*

## Re: NCSL Opposition to the Restoration of America's Wire Act

Dear Senators Reid and McConnell, Speaker Boehner and Leader Pelosi:

On behalf of the National Conference of State Legislatures (NCSL), we write to express our strong opposition to the Restoration of America's Wire Act, and urge you to respect the sovereignty of states to decide whether or not to allow gambling, and in particular online gambling.

Since its inception, NCSL has resisted unwarranted preemptions of state laws and federal legislation that threatens state authority and autonomy – especially in areas of successfully demonstrated state stewardship like gambling. States have proven that they are effective regulators of the gambling industry and the proponents of this legislation fail to make a case that we have been negligent in our responsibilities to the industry and consumers. This attempt to enact a wholesale prohibition of online gambling with the Restoration of America's Wire Act is merely a solution seeking a problem.

Since the 2011 Department of Justice opinion clarifying the scope of the Wire Act, Delaware, Nevada, New Jersey and the U.S. Virgin Islands have legalized some form of online gambling within their state, while Utah and Maine have acted to forbid such activity. Many more states are considering bills that would authorize, expand or restrict Internet gambling as well. This is the way it should work, each state making the decision that is best suited to the desires of its residents and not through a congressional mandate.

We appreciate the opportunity to express the views of our colleagues across the country on this topic. We respectfully request the state legislative perspective be considered as Congress continues to examine this issue. If you have any questions regarding the concerns of state legislatures or would like to discuss the issue further, please contact James Ward ([james.ward@ncsl.org](mailto:james.ward@ncsl.org); 202-624-8683) or Jeff Hurley ([jeff.hurley@ncsl.org](mailto:jeff.hurley@ncsl.org); 202-624-7753) in NCSL's Washington, D.C. office.

Sincerely,

Senator Bruce Starr  
Oregon Senate  
NCSL President

Senator Debbie Smith  
Nevada Senate  
NCSL President-Elect

cc: Members of the United States Senate and House of Representatives

**Denver**  
7700 East First Place  
Denver, Colorado 80230  
Phone 303.364.7700 Fax 303.364.7800

**Washington**  
444 North Capitol Street, N.W. Suite 515  
Washington, D.C. 20001  
Phone 202.624.5400 Fax 202.737.1069

Website [www.ncsl.org](http://www.ncsl.org)  
Email [info@ncsl.org](mailto:info@ncsl.org)

## NCLGS

*The National Council of Legislators from  
Gaming States*

## PRESIDENT

Representative James W. "Jim" Waldman  
District 96 - 4800 West Copans Road  
Coconut Creek, FL 33063  
T: 954-956-5600 F: 954-956-5602

## NATIONAL OFFICE

385 Jordan Road  
Troy, NY 12180  
(518) 687-0615 PHONE  
(518) 687-0401 FAX

April 9, 2014

The Honorable Patrick Leahy  
Chairman, Committee on the Judiciary  
U.S. Senate  
437 Russell Senate Office Building  
Washington, D.C. 20510

The Honorable Bob Goodlatte  
Chairman, Committee on the Judiciary  
U.S. House of Representatives  
2309 Rayburn House Office Building  
Washington, D.C. 20515

The Honorable Chuck Grassley  
Ranking Member, Committee on the Judiciary  
U.S. Senate  
135 Hart Senate Office Building  
Washington, D.C. 20510

The Honorable John Conyers  
Ranking Member, Committee on the Judiciary  
U.S. House of Representatives  
2426 Rayburn House Office Building  
Washington, D.C. 20515

Dear Senators Leahy and Grassley, and Representatives Goodlatte and Conyers:

As leaders of the National Council of Legislators from Gaming States (NCLGS) and as fellow elected officials, we urge you to oppose recently introduced House Bill 4301/Senate Bill 2159, "The Restoration of America's Wire Act." This legislation, proposing to amend the Wire Act to prohibit transmission of wagering information for all types of gambling activities, including Internet gambling, would effectively preempt the states' historical ability to properly regulate gaming. It is our strong conviction, as legislators who chair and are members of the legislative committees that work diligently to develop sound public gaming policy, that states are the most appropriate entity to decide upon, and oversee, what kind of gaming should exist and what should not within their borders.

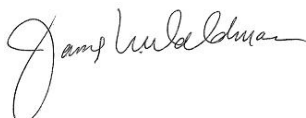
States have the expertise, developed over many years of experience, to oversee gaming for the best outcomes to the states and their consumers. Recognizing this, Congress in the Interstate Horse Racing Act found that "the States should have the primary responsibility for determining what forms of gambling may legally take place within their borders," not only terrestrially, but via "electronic media."

To be clear, NCLGS does not support or oppose legalization of Internet gaming and realizes that technological advances in gaming—Internet or otherwise—present multiple social and economic policy issues to be considered. NCLGS is currently working on a State Internet Gaming Policy Framework to safeguard both states that wish to participate in Internet gaming and those that do not.

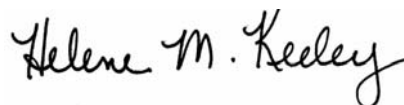
States like Delaware, Nevada, New Jersey, Utah, and Maine have recently passed bills to expand, legalize, or prohibit Internet gaming, and many others are currently considering measures. We assert that each state can and should determine what will best reflect and serve the needs of its residents.

Thank you for the consideration of our perspective, which we ask that you bear in mind as Congress deliberates upon this issue.

Sincerely,



Rep. Jim Waldman, FL  
NCLGS President



Rep. Helene Keeley, DE  
NCLGS Secretary

cc: The Honorable Harry Reid, Majority Leader, U.S. Senate  
The Honorable Mitch McConnell, Minority Leader, U.S. Senate  
The Honorable John Boehner, Speaker, U.S. House of Representatives  
The Honorable Nancy Pelosi, Minority Leader, U.S. House of Representatives  
The Honorable Kelly Ayotte, U.S. Senate  
The Honorable Emanuel Cleaver, U.S. House of Representatives  
The Honorable Tulsi Gabbard, U.S. House of Representatives  
The Honorable James Lankford, U.S. House of Representatives  
The Honorable Jim Matheson, U.S. House of Representatives  
The Honorable Frank Wolf, U.S. House of Representatives  
U.S. Senate Judiciary Committee Members  
U.S. House of Representatives Judiciary Committee Members

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